

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: ALL SCHOOL SUPERINTENDENTS AND BUSINESS OFFICIALS

FROM: BUDGET DIVISION, DEPARTMENT OF LOCAL GOVT. FINANCE

SUBJECT: 2007 SCHOOL TRANSPORTATION & BUS REPLACEMENT FUNDS

DATE: JUNE 2006

***The following memorandum should be used for 2007 budget purposes.**

****The Legislative Services Agency is re-codifying Title 21. The Department of Local Government Finance will revise the school memorandums to reflect the re-codification when the information is available.**

c) This section applies only to the extent that the school corporation's transportation fund has not been increased under IC 21-2-11.5-3(b)(2) or another adjustment made by the department of local government finance to reflect the termination of state distribution for the school corporation's transportation fund.

IC 21-2-11-4 allows a school corporation after June 30, 2005 and before July 1, 2007 to budget for and pay costs attributable to transportation (as defined in IC 21-2-11.5-2) from the general fund. During the period beginning July 1, 2005 and ending June 30, 2007, a school corporation may transfer money in a fund maintained by the school corporation that is obtained from:

A source other than a state distribution or local property taxation, or
A state distribution or a property tax levy that is required to be deposited into the fund.

A school may not transfer from the special education pre-school fund or the bus replacement fund. A transfer from a state distribution or a property tax may not be reduced based on the money transferred to or from such fund.

Money transferred may only be used to pay costs, including debt service, attributable to reductions in funding for transportation distributions under IC 21-3-31., including reimbursements associated with transportation costs for special education, vocational education and ADA flat grants.

The total amount transferred may not exceed:

- 1) For the period beginning July 1, 2005, and ending June 30, 2006, the last state transportation distribution as defined in IC 21-2-11.5-3; or

- 2) For the period beginning July 1, 2006 and ending June 30, 2007, an amount equal to the subdivision (1) amount

IC 21-2-11.5-3(d), Version B, allows a school corporation to increase its school transportation fund levy for 2007 by 50% of the school corporation's last state transportation distribution in the same manner it could in 2006.

SCHOOL TRANSPORTATION & BUS REPLACEMENT FUNDS

Indiana Code 21-2-11.5 outlines the purposes of a school transportation fund and bus replacement fund. All school corporations are required to have a transportation fund and bus replacement fund. The Department of Local Government Finance uses fund number 6301 for Transportation and fund number 6302 for Bus Replacement.

A School Corporation adopts appropriations, rates and levies for each of these two funds and advertises each fund separately on the notice to taxpayers or Budget Form 3. The Department of Local Government Finance annually certifies the maximum levy for the transportation-operating fund. An earlier memorandum detailed the requirements for the bus replacement plan.

TRANSPORTATION OPERATING AND BUS REPLACEMENT FUND USAGE

The Transportation Operating Fund (6301) may be used for:

- 1) The salaries paid bus drivers, transportation supervisors, mechanics, garage employees, clerks, and other transportation related employees.
- 2) Contracted transportation service, other than costs payable from the school bus replacement fund.
- 3) Wages of independent contractors.
- 4) Contracts with common carriers.
- 5) Pupil fares.
- 6) Transportation-related insurance.
- 7) Other expenses of operating the school corporation's transportation service, including gasoline, lubricants, tires, repairs, contracted repairs, parts, supplies, equipment, and other related expenses.

The Bus Replacement Fund (6302) may be used for:

- 8) Amounts paid for the bus replacement of school buses, either through a purchase agreement or under a lease agreement.
- 9) The costs of contracted transportation service payable from the school bus replacement fund.

It is important to note that school buses may not be purchased from transportation operating or the general fund. Likewise, the vehicles purchased from bus replacement must be used in the transportation of students.

TRANSPORTATION OPERATING FUND MAXIMUM LEVY LIMIT

The Department of Local Government Finance calculates the Transportation Operating Fund Maximum Levy Limit.

The operating fund for school transportation is under the same levy controls as civil units of government. This formula allows for maximum annual growth of 6 percent (6%). Subsequent maximum levy limits use the previous years certified levy limit as a starting point less temporary appeals and other temporary adjustments. For example, schools that do not elect to charge all of their maximum levy limit in any particular year to support their transportation operating budget will lose that levy capacity in a subsequent year.

SHIFTING PORTIONS OF CONTRACTED BUS SERVICE TO THE BUS REPLACEMENT ACCOUNT (PLAN) IC 21-2-11.5-2

Before the last Thursday in August in the year preceding the first school year in which a proposed contract commences, the governing body of a school corporation may elect to designate a portion of a transportation contract, fleet contract or common carrier contract as an expenditure payable from the bus replacement fund. The election must be part of a transportation plan approved by the department of local government finance. The amount payable from the bus replacement fund is equal to the fair market lease value in the school year of each bus, school bus chassis or school bus body under the contract, as substantiated by invoices, depreciation schedules and any other information available to the school corporation. The allocation costs must comply with allocation guidelines adopted by the department of local government finance and accounting standards approved by the state board of accounts. This decision no longer requires the department of local government finance to adjust the maximum property tax levy limit for the transportation-operating fund.

TRANSPORTATION OPERATING FUND EXCESSIVE LEVY APPEAL

Under specific circumstances a school corporation may appeal for a permanent increase to the Transportation Operating Maximum Levy Limit. The forms for this appeal are included in the memorandum on school excessive levy appeals.

Transportation appeals, like all other appeals by schools for relief from the levy limitations, must be filed with the Indianapolis Office of the Department of Local Government Finance **before September 20.**

In order for relief to be granted, the school corporation must advertise and adopt a sufficient levy to include: 1) the transportation operating maximum levy limit, and 2) the amount of the excessive levy appeal. The DLGF cannot approve levies above those advertised and adopted by a political subdivision for this purpose. The appeal will be forwarded to the SPTCB for consideration and a recommendation to the Commissioner of the DLGF.

PERSONAL SERVICES IN THE TRANSPORTATION OPERATING FUND

The following language restricts personnel expenses in the Transportation Operating Fund:

“(c) Beginning January 1, 1996, portions, percentages, and parts of salaries of teaching personnel or principals are not attributable to transportation. However, parts of salaries of instructional aides who are assigned to assist with the school transportation program are attributable to transportation. The costs described in this subsection (other than instructional aide costs) may not be budgeted for payment or paid from the school transportation fund.”

As listed in the basic purpose of the operating fund, it is permissible to take the entire amount/portion of a corporation employee’s earnings and related benefits from the school transportation-operating fund if their entire workday is spent on school transportation. Therefore, Transportation Directors and/or support staff working 100% of the time on transportation can clearly come from the operating fund.

School corporation personnel that clearly may have portions of their salaries coming from the transportation-operating fund are instructional aides who are assigned to assist with school transportation program.

Partial salaries of teachers, and principals are expressly prohibited from transportation. Questions on the extent to which other building personnel such as assistant principals, counselors, and school secretaries may have portions of their salary paid from the transportation operating fund should be referred to the State Board of Accounts to guard against audit problems.

BUS REPLACEMENT FUND LEVY

A separate levy is advertised and set apart for the bus replacement fund each year by a school corporation. This bus replacement levy is exempt from maximum levy limitations.

To qualify for an exempt levy for bus replacement, the School Corporation must adopt a plan according to the bus replacement plan advertised and adopted. A formal Notice to Taxpayers, resolution and plan outline was provided in a separate memorandum that included all information required in the plan except supplementary justification for additional buses or replacement of buses earlier than ten (10) years. The Notice to Taxpayers must be supported by a detailed Bus Replacement Plan adopted by the School Board of Trustees and on file for inspection.

BUS REPLACEMENT PLAN IC 21-2-11.5-3.1

A spreadsheet format is acceptable and encouraged for the school bus replacement plan. Each year estimates of replacement costs must be shown for the next ten years. Replacement costs will be shown as lump sum amounts in the year that the replacement is anticipated and the corporation needs revenues available. Appropriations for replacement and additional buses will be totaled on Form 1 and Form 4 and advertised on Line 1 of the 16-line statement.

Payments for buses currently under a lease purchase can be built into the plan, as long as the school will have ownership at the end of the lease. Lease payments will be a part of current expenditures.

Monies can be accumulated in advance of bus purchase for up to five years. Amounts accumulated for future purchases will be included in the plan but not appropriated. Accumulations will be subtotaled and shown in Line 11 (operating balance) of the Bus Replacement Fund.

Bus Replacement Plans, as adopted, a signed bus replacement resolution and all legal notices must be submitted along with other budget paperwork to the County Auditor. Review by the Department of Local Government Finance will occur at the local budget hearing. The Department will not refer the bus replacement plans to the SPTCB for review.

ADOPTING THE BUS REPLACEMENT PLAN/AMENDING THE BUS REPLACEMENT PLAN

IC 21-2-11.5-3.1 reads as follows:

Sec. 3.1 (a) Before a governing body may collect property taxes for the school transportation fund's school bus replacement account in a particular year, the governing body must, **after January 1 and not later than September 20 of the immediately preceding year:**

- (1) Conduct a public hearing on; and
- (2) Pass a resolution to adopt a plan under this section.

(b) The department of local government finance shall prescribe the format of the plan. A plan must apply to at least the ten (10) years immediately following the year the plan is adopted. A plan must at least include the following:

- (1) An estimate for each year to which it applies of the nature and amount of proposed expenditures from the transportation fund's school bus replacement fund.
- (2) A presumption that the minimum useful life of a school bus is not less than ten (10) years.
- (3) An identification of:
 - (A) The source of all revenue to be dedicated to the proposed expenditures in the upcoming budget year; and
 - (B) The amount of property taxes to be collected in that year and the unexpended balance to be retained in the fund for expenditures proposed for a later year.
- (4) If the school corporation is seeking to acquire additional school buses as compared to the number of school buses from the prior school year, evidence of a demand for increased transportation services within the school corporation.
- (5) If the school corporation is seeking to replace an existing school bus earlier than ten (10) years after the existing school bus was originally acquired, evidence that the need exists for the replacement of the school bus.
- (6) Evidence that the school corporation that seeks to acquire additional school buses under this section is acquiring the school buses for replacement purposes only.

(c) After reviewing the plan, the department of local government finance shall certify its approval, disapproval, or modification of the plan to the governing body and the auditor of the county. The department of local government finance may seek the recommendation of the school property tax control board with respect to this determination. The action of the department of local government finance with respect to the plan is final.

(d) The department of local government finance may approve appropriations from the school bus replacement fund only if the appropriations conform to a plan that has been adopted in compliance with this section.

(e) A governing body may amend a plan adopted under this section. When an amendment to a plan is required, the governing body must declare the nature of and the need for the amendment and must show cause as to why the original plan no longer meets the transportation needs of the school corporation. The governing body must then conduct a public hearing on and pass a resolution to adopt the amendment to the plan. The plan, as proposed to be amended, must comply with the requirements for a plan under subsection (b). This amendment to the plan is not subject to the deadline for adoption described in subsection (a). However, the amendment to the plan must be submitted to the department of local government finance for its consideration and is subject to approval, disapproval, or modification in accordance with the procedures for adopting a plan set forth in this section.

(f) If a public hearing is scheduled under this section, the governing body shall publish a notice of the public hearing and the proposed plan or amendment to the plan in accordance with IC 5-3-1-2(b) (one time in two newspapers ten days prior to the hearing).

